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THIS AMENDMENT:



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AZ CORP COMMISSION
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**HATCH-MILLER PROPOSED LANGUAGE
FORM OF THE ORDER TO BE DETERMINED**

TIME/DATE PREPARED: **December 4 @ 9:00 am**

COMPANY: Arizona Public Service Company AGENDA ITEM NO. U-1

DOCKET NO. E-01345A-06-0009

OPEN MEETING DATE: 12/8/2006

Proposed Discussion:

"During the proceeding held pursuant to Arizona Revised Statutes § 40-252 on December 8, 2006, the Commission took testimony regarding the amendment proposed by Chairman Jeff Hatch-Miller. In its Motion to Amend Decision No. 68685, APS requested the Commission to extend the 7 mill interim PSA adjustor until the adoption of a base fuel rate in the pending general rate proceeding (Docket Nos. E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827). Making this change would continue the status quo for APS customers by "smoothing" their rates until the general rate case is concluded. In addition, this change will prevent the buildup of a large balance in 2006 PSA purchased power and fuel costs, including the accrual of interest that will be collected from ratepayers, beginning in February 2007. Allowing the interim PSA adjustor to expire on January 1, 2007 and subsequently implementing a potential higher base fuel rate in general rate case will cause a "yo-yo" effect on APS ratepayers. This outcome should be avoided because multiple price changes over a short span of time can be confusing to ratepayers and may not send the appropriate price signals. Staff, RUCO and AECC have expressed no opposition to such a continuation of the interim PSA adjustor. Therefore, we find that it is in the public interest to keep the interim PSA adjustor of 7 mills in place until a final Order is issued in the pending APS general rate proceeding (Docket Nos. E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827)."

Proposed Finding of Fact:

"The interim PSA adjustor of 7 mills should remain in place until a final Order is issued in the pending general rate proceeding (Docket Nos. E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827)."

Proposed Conclusion of Law:

"The interim PSA adjustor of 7 mills adopted in Decision No. 68685 should be modified pursuant to Arizona Revised Statutes § 40-252 to allow for its continuance until a final Order is issued in the pending general rate proceeding (Docket Nos. E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827)."

Proposed Ordering Paragraph:

"IT IS THEREFORE ORDERED that Arizona Public Service Company is authorized to continue the interim PSA adjustor of 7 mills for 2006 costs until a final Order is issued in the pending APS general rate proceeding (Docket Nos. E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827)."